

House File 522 - Introduced

HOUSE FILE 522

BY COMMITTEE ON AGRICULTURE

(SUCCESSOR TO HSB 137)

A BILL FOR

1 An Act increasing the number of years that a taxpayer may
2 claim a custom farming contract tax credit under a contract
3 executed by the holder of agricultural land and a qualified
4 beginning farmer, and including effective date and
5 retroactive applicability provisions.

6 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 16.81, subsection 5, Code 2015, is
2 amended to read as follows:

3 5. The custom farming contract must provide that the
4 taxpayer pay the qualified beginning farmer on a cash basis.
5 The contract must be in writing for a term of not more than
6 ~~twelve~~ twenty-four months. The total cash payment for each tax
7 year that the tax credit is claimed must equal at least one
8 thousand dollars.

9 Sec. 2. Section 16.81, subsection 10, Code 2015, is amended
10 to read as follows:

11 10. a. A taxpayer shall not claim a custom farming contract
12 tax credit unless a tax credit certificate issued by the
13 authority under this section is included with the taxpayer's
14 tax return for ~~the~~ each tax year for which the tax credit is
15 claimed.

16 b. A taxpayer may submit a single application to the
17 authority for the authority's review and approval of the
18 issuance of a tax credit certificate for either one or two tax
19 years as covered in the custom farming contract. The authority
20 must review and approve ~~an~~ the application ~~for a~~ and each
21 tax credit certificate as provided by rules adopted by the
22 authority. The application must include a copy of the custom
23 farming contract. Either or both parties as required by the
24 authority shall notify the authority of any amendment to the
25 contract or other material changes affecting the application
26 or contract. The authority may require that the parties to
27 the contract provide additional information as determined
28 relevant by the authority. The information may include but
29 is not limited to a list of all custom work completed and a
30 verification of all payments made to the beginning farmer for
31 each tax year that the tax credit may be claimed.

32 c. The authority may approve an application and issue a
33 tax credit certificate to a taxpayer who has previously been
34 allowed a tax credit under ~~this section~~ another application.
35 ~~The authority may require that the parties to the contract~~

~~1 provide additional information as determined relevant by the
2 authority. The authority shall review an application for a tax
3 credit certificate which includes the renewal of a contract to
4 determine that the parties to the renewed contract meet the
5 same qualifications as required for an original application.~~

6 d. The authority shall not approve an application or issue
7 a tax credit certificate to a taxpayer for an amount in excess
8 of fifty thousand dollars. In addition, the authority shall
9 not approve an application or issue a tax credit certificate to
10 a taxpayer if any of the following applies:

11 ~~a.~~ (1) The taxpayer is at fault for terminating another
12 custom farming contract, as determined by the authority.

13 ~~b.~~ (2) The taxpayer is party to a pending administrative or
14 judicial action, or classified as a habitual violator in the
15 same manner as provided in section 16.80.

16 ~~c.~~ (3) The contract amount is substantially higher or lower
17 than the market rate for a similar custom farming contract, as
18 determined by the authority.

19 Sec. 3. EFFECTIVE UPON ENACTMENT. This Act, being deemed of
20 immediate importance, takes effect upon enactment.

21 Sec. 4. RETROACTIVE APPLICABILITY. This Act applies
22 retroactively to January 1, 2015, for tax years beginning on
23 or after that date.

24 EXPLANATION

25 The inclusion of this explanation does not constitute agreement with
26 the explanation's substance by the members of the general assembly.

27 BILL — PROVISIONS. This bill increases the maximum period
28 of a custom farming contract executed by a taxpayer who holds
29 agricultural land and a qualified beginning farmer from 12 to
30 24 months in order to meet the eligibility requirements for
31 the taxpayer to claim the custom farming contract tax credit.
32 The tax credit is administered by the Iowa finance authority
33 and the department of revenue. The bill provides that a party
34 or both parties to the contract must notify the authority of
35 any amendment to the contract or other material change to

1 claim the tax credit. The authority may require additional
2 information which may include a list of custom work completed
3 and a verification of payments made to the beginning farmer for
4 each tax year that the tax credit is claimed.

5 BILL EFFECTIVE DATE AND RETROACTIVE APPLICABILITY. The
6 bill takes effect upon enactment and applies retroactively to
7 January 1, 2015, for tax years beginning on or after that date.

8 BACKGROUND. A taxpayer who holds agricultural land is
9 entitled to claim a tax credit against individual or corporate
10 tax liability under the terms of a custom farming contract
11 executed with a qualified beginning farmer. The contract
12 amount cannot be substantially higher or lower than the
13 market rate for similar contracts. The taxpayer must make all
14 management decisions substantially contributing to or affecting
15 the production of crops or livestock located on the taxpayer's
16 agricultural land, although the qualified beginning farmer may
17 make day-to-day operational decisions affecting production.
18 The qualified beginning farmer must have a low or moderate net
19 worth and have education or experience and resources necessary
20 to participate in farming. The tax credit is allowed only for
21 the amount paid by the taxpayer to a qualified beginning farmer
22 on a cash basis equaling at least \$1,000. The tax credit is
23 7 percent of the amount paid by the taxpayer to a qualified
24 beginning farmer with one exception. For the first tax year,
25 the tax credit is 8 percent if the qualified beginning farmer
26 is a veteran.